

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 15 SEPTEMBER 2006

AGENDA ITEM NO: **3a**

SUBJECT: OUTLINE OF THE ROLE AND FUNCTIONS OF THE COMMITTEE

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. To submit the approved terms of reference and provide some background to the development of the Committee.

2. INFORMATION

- 2.1. The Committee was set up and the terms of reference approved at the annual meeting of the Authority on 23 June 2006. The approved terms of reference are attached.
- 2.2. Corporate governance has become increasingly important to both the Private and Public sector and is essential for effective control and accounting.
- 2.3. The Authority has regulated its business since 1985 through a series of specialist working groups on which Members provide expertise in a particular area of responsibility thus monitoring and advising the Authority on those areas. However, one aspect, Finance, has always been held as a responsibility of the full Authority and has never been delegated.
- 2.4. With the creation of the Audit and Governance Committee the Authority has delegated the power to monitor and approve all governance aspects of the Authority. The main functions of the Committee can be simply summarised as:
 - 2.4.1. The consideration and approval of the annual accounts
 - 2.4.2. The consideration of all internal control arrangements
 - 2.4.3. The consideration of all audit matters
 - 2.4.4. The consideration of all constitutional matters.
- 2.5. As mentioned all these matters were already being dealt with by the Authority. However, since these matters are now to be considered by this committee the background, and current position, of each of the topics is briefly set out below:

Annual Accounts

- 2.6. The Accounts and Audit Regulations 2003 and 2006 require that all accounts must follow a specific timetable. That is
- accounts must be approved by Members by the end of June;
 - they must be audited with the audit comments on the accounts and other matters (contained in an Annual Governance Report) considered by Members by the end of September;
 - the accounts must then be approved and published by the end of September;
 - an Annual Audit Letter from the auditor should be considered by the end of December.

The 2005/06 draft accounts were approved by members at their meeting on 23 June 2006 and are presented, with the Annual Governance Report elsewhere on this agenda.

Internal Control Arrangements

- 2.7. These cover the governance arrangements over the whole range of activities of the Authority and are encompassed in the 'Statement of Internal Control' that forms part of the annual accounts. It must be signed by the Chair and Chief Executive (Clerk) to state that the arrangements are in place, are sound and working satisfactorily. In essence the Authority's control systems are expected to cover:
- 2.7.1. financial control documents including Financial Regulations and Standing Orders
 - 2.7.2. internal financial arrangements such as systems for ordering and payment of goods and services, financial management systems, controls over borrowing, investments etc
 - 2.7.3. arrangements to consider and review Risks
 - 2.7.4. consideration of the method adopted by the Authority to review their policies and to monitor their implementation.
- 2.8. It is expected that an annual report will be brought to this committee on the Statement of Internal Control together with periodic reports on various aspects of the above.

Internal and External Audit

- 2.9. The Authority is required to appoint an internal auditor and to monitor his effectiveness. Since 2004 the Internal Auditor of the Executive has acted as the authority's internal auditor. He prepares an annual audit plan, produces reports and is monitored through the Executive. It is

proposed that in future the audit plan and annual audit report be presented to this committee.

- 2.10. The external auditors are those appointed to the Authority by the Audit Commission nationally. The Authority has had the same auditors (the Audit Commission previously known as District Audit) since the Authority was formed in 1986. The Authority has no power to change these auditors although the Authority are periodically allowed to comment on the appointment. Each year they review the work of the internal audit section and the work of the Authority. It is proposed to bring their reports to this committee.

Constitutional Matters

- 2.11. In recent years there have been an increasing number of legal and legislative changes proposed and/or implemented by the government and other bodies. Until now there has been no specific committee mandated to review and comment on such matters.
- 2.12. It is therefore proposed to present reports to this committee on any proposed policy or legislative changes which might affect the power or responsibilities of either the Authority or the Executive.
- 2.13. Clearly there are other working groups who also have an interest in this area. For example the Local Transport Plan steering Group has been commenting on the impact of Regional arrangements for Transport Policy and may continue to do so in its role of developing the Local Transport Plan. Similarly the Standards Committee and the Staffing Standing Groups have been considering Codes of Conduct. A balance will therefore need to be struck to ensure there is neither conflict nor gaps in consideration of these matters by members.

3. FINANCIAL AND LEGAL IMPLICATIONS

- 3.1. None directly arising from this report.

4. STAFFING IMPLICATIONS

- 4.1. None directly arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

- 5.1. None directly arising from this report.

6. RECOMMENDATIONS

- 6.1. That the report and terms of reference be noted.

Clerk to the Authority
Chief Financial Officer
West Yorkshire Passenger Transport Authority

Terms of Reference – approved 23 June 2006 (as amended)

AUDIT AND GOVERNANCE COMMITTEE

To receive reports on matters relating to Corporate Governance and policy issues relating to PTA powers and responsibilities including:

To deal with the Authority's arrangements relating to accounts including:

- approval of the annual statement of accounts
- approval of the Statement on Internal Control

To consider the arrangements relating to external audit including:

- agreement and review of the audit plan
- receipt of all external audit reports
- responding to the auditors as required

To review the adequacy of the Authority's corporate governance arrangements (eg internal control and risk management)

To review the adequacy of policies and practices to ensure compliance with statutory and other guidance

To monitor proposed national, European or regional policy or legislative changes which might affect the powers and responsibilities of the Authority or Executive.

To consider arrangements relating to internal audit including receiving the annual internal audit plan, end of year report and monitoring the performance of internal audit.

To report as necessary on these matters to the Authority.